



**APPROVED MINUTES
APPROVED ON 11-15-10**

**CITY OF SCOTTSDALE
AUDIT COMMITTEE**

**REGULAR MEETING
MONDAY, OCTOBER 18, 2010**

**CITY HALL, KIVA CONFERENCE ROOM
3939 NORTH DRINKWATER BLVD
SCOTTSDALE, AZ 85251**

PRESENT: Robert Littlefield, Chair
Lisa Borowsky, Councilwoman (arrived 4:13 p.m.)
Suzanne Klapp, Vice Mayor

STAFF: Jan Bellizi, Administrative Services
Rick Pence, Public Works
Dan Worth, Public Works
David Smith, City Treasurer
Kyla Anderson, City Auditor's Office
Joyce Gilbride, City Auditor's Office
Joanna Munar, City Auditor's Office
Sharron Walker, City Auditor's Office

Call to Order/Roll Call

Chair Littlefield called the meeting to order at 4:03 p.m. He noted that Committee Member Borowsky was on her way.

1. Approval of Minutes - September 27, 2010

Vice Mayor Klapp moved to approve minutes for the September 27, 2010 meetings, including the regular meeting, special meeting, and executive session. Seconded by

Chairman Littlefield, the motion carried unanimously with a vote of two (2) to zero (0). Committee Member Borowsky was not yet present.

2. Discussion of Report No. 1117, Residential Solid Waste Program Cost Analysis

Auditor Joyce Gilbride stated that this audit was conducted at the direction of City Council to independently review the cost analysis presented by the Public Works Division at the August 30, 2010, Council meeting. The auditors obtained and verified the data developed and reported by Public Works, following their methodology. They found the data was fairly reliable, with only a slight difference in cost calculations. The auditors then reviewed the bid documentation obtained for the other cities to assess the comparability and accuracy of the reported numbers. Again, they found the reported information was reliable.

Their second step was to develop a full cost analysis to include direct, indirect, and overhead costs related to residential solid waste services. The auditors' analysis determined that the direct cost per residential dwelling unit was \$6 per month, slightly lower than the \$6.09 per unit cost determined by Public Works. The auditors' analysis resulted in a higher cost per unit of \$5.98 for homes south of Indian Bend, compared to Public Work's calculation of \$5.46 per unit. She noted some differences in the calculation methods, due to Public Works trying to match the methodology used in similar bids for the Cities of Phoenix and Chandler. For example, the auditors' analysis of direct costs included salaries and related expenses for program representative positions, but the other cities did not. If the auditors had used the same methodology, the cost per unit would be \$5.31, which is less than the lowest bid received by another city.

Finally, the auditor's analysis determined the total cost per dwelling unit was \$15.47, including the direct, indirect, and overhead costs. This cost was compared to quotes for service in Paradise Valley because the Town of Paradise Valley does not administer any aspect of residential solid waste services. This figure is substantially lower than what homeowners in Paradise Valley are paying.

In response to a question by Vice Mayor Klapp, City Auditor Sharron Walker said it took the department about a month to conduct the audit. The report is on the consent agenda for tomorrow night's Council meeting. Chair Littlefield said he may pull it from the consent agenda in order to acknowledge that the auditors have conducted this audit at the direction of City Council and to highlight the results.

3. Discussion and possible direction to staff regarding Taxpayer Problem Resolution Officer quarterly report

Ms. Walker said the survey results are fairly consistent with prior periods. She noted that the City received one formal appeal requesting a business license fee refund. The City Code specifically states that these are nonrefundable. A second inquiry was received, but the taxpayer did not want to send a written request.

4. Discussion and possible direction to staff regarding status of FY 2010/11 Audit Plan

Ms. Walker told the Committee Members that they are still on schedule with the updated plan. Before the end of October, they should be starting the overtime audit.

They finally received the data they need to do the analysis for the e-verify compliance audit and have sent out the first vendor letters to get started.

At this point, she anticipates they will have the fleet management and water and sewer rates audit reports for the November meeting and possibly three audit reports in January 2011. A meeting is not planned for December.

5. Discussion of agenda items for next Audit Committee meeting (November 15, 2010)

Ms. Walker presented an updated draft meeting agenda, explaining that the external auditors will attend with the City Treasurer to discuss the results of the City's annual financial audit. As previously mentioned, reports on Fleet Management and Water and Sewer Rates will be presented. Ms. Walker also plans to present an update on the City Auditor's budget status.

Public Comment

No members of the public wished to address the Audit Committee.

Adjournment

The meeting adjourned at 4:14 p.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.